



Durham Convention Center Authority meeting

Tuesday, July 20, 2010

8:00 am

The meeting was called to order at 8:00AM with the following representatives present:

Authority: Bill Kalkhof, Al Bass, Billy Ruffin, Joe Bowser, Rosemarie Kitchin, Dawn Paffenroth, and Patrick Byker. *Owners:* Sharon DeShazo, Joel Reitzer, Drew Cummings, Jina Propst, and Karmisha Wallace. *Management Company:* Richard Brezinski, Joseph Hofmann, Keith Parham, and Wendy Jeffries. Motion of approval for June 15, 2009 minutes were moved by Rosemarie Kitchin, seconded by Dawn Paffenroth, voted and agreed upon by all.

Open Issues:

- Capital Project phase II
- Surface Parking Lot security options
- Convention Center Marketing/Public Relations Initiatives

Action Items:

- Discussion of Revenue Improvement/New Hotel Task Force
- Management Agreement Update
- Authority members visit to Raleigh Convention Center

Management Company report:

June revenues at \$97,137.32 are under budget by \$39,962.68 and \$17,680.33 below actual revenues from the prior year. Current bookings for the month result from 28 events, and 28 events from the prior year. Total number of future events booked is 29 with total revenue booked at \$84,023. Total number of future events booked prior year was 17. A major issue with booking opportunities lie in forecasting. This is largely due to the clients' inability to accurately measure registration numbers and attendance. In addition, Shaner is unable to compare with historical data due to the lack of similarity with the current economy. June revenues suffered from last minute cancelations. The month's largest event yielded \$17,000 in revenue. 65% of business was booked ninety days out compared with 70% prior year. The Convention Center is seeing an increase in business for events with over two hundred in attendance scheduled 180 days out.

Shaner receives sales leads from the Convention Center website and is investigating whether there is a need for a Facebook page and how it impacts the hospitality business.

No events are being booked during January through July 2011 due to the upcoming construction plans. The Sales/Marketing team is currently tracking business turned down during this time. Ms.

Jeffries is trying to defer leads until after construction. She is concerned about the wedding market since it is being affected the most. She currently has wedding leads and time spent waiting is causing costs to rise.

For local business events with fewer than 500 attendees, the Sheraton Imperial is the Convention Center's biggest competitor.

June expenses are slightly over budget by \$5,444. In addition, food department labor costs were slightly elevated over prior month actuals by \$5,457.

The end-of-year actual amount for FY2009/10 shows a deficit of \$1,384,478. This is \$90,047 more than prior year. Shaner anticipates July 2010 revenues being higher than prior year.

Meeting Summary:

- The surface parking lot behind the Armory had 10 vehicle break-ins and one stolen vehicle on July 9, 2010 around 5:00 or 6:00A.M. Marriott does not cover patron losses from parking lot theft, which makes the situation difficult for Shaner. The Owners and Shaner are evaluating security options to increase visibility, signage, and lighting, in addition to installing dual security cameras on the Armory roof. A question was posed regarding who will bear the cost for monitored cameras. Shaner leases the parking lot from the City and per the contract is responsible for revenues, maintenance, and security which include lighting. The Owners made arrangements with Duke Energy to increase lighting in the parking lot per Marriott Standards. Shaner is in process of executing this project per requirements.
- Phase II construction schedule is set to begin January 2011. New standards for the facility are going forward. The project needs an open dialogue on all bookings.
 - Mr. Reitzer has requested a detailed construction schedule. A major issue is scheduling the roof work around the weather which will present a challenge.
 - Mr. Reitzer met with Fullframe regarding how the project construction will impact their operation. The Owners are working on a contingency plan addressing issues surrounding a close down of the entire facility construction for the event. However, roofing will be ongoing. Mr. Reitzer noted that Fullframe would have the ability to utilize the Convention Center space during the week of April 14 through April 18, 2011.
 - Shaner would like construction to allow some events to continue. There are six weddings pending. Mr. Reitzer suggested possibly partnering with the Durham Arts Council and the Carolina Theatre. Their construction work will not begin until after Fullframe ends. He also suggested a work session with Shaner to discuss options for events during construction.
 - Correspondence was provided to Shaner on July 16 regarding the construction schedule for the project (January 1-August 1, 2011).
 - Shaner is planning an upgrade for the lobby June 2012. Marble is proposed to replace the floor tile presently in place.
 - A draft copy of the cost allocation for Capital construction per the air lease agreement was issued to Shaner on July 19 for review. The costs will be updated

after finalization of the design development cost estimates. A meeting is set with Shaner's construction team.

- A schedule and design development cost update is anticipated for review during a July 23 meeting. This information will assist in determining cost modules and where we are regarding discretionary items.
- Skanska is in process of bidding the chiller equipment. The Owners will replace the chillers, and per the engineering report, no additional cooling tower capacity is needed on the roof of the hotel. The Owners are moving forward to get City Council approval in August for product delivery prior to construction in January. The chiller work will be executed during the winter when there is no need for chilled water.
- The Owners are targeting Labor Day as completion of construction plans.
- The Owners have agreed to a six month extension to the existing management agreement at a flat rate paid on a per month basis during the negotiation period of the new agreement. The agreed flat rate monthly reimbursement is \$102,000. There is no financial participation beyond the flat rate. This means the fee includes the management fee and costs. Financial reporting remains the same. There are additional terms within the current agreement extension. There is no upside in revenue and no downside in cost. Mr. Reitzer would like to have the management agreement in place by the end of the current contract extension period which is December 31, 2010. The new management agreement should have a term with a two to three year renewable option. The consultants recommend a three year term with renewable options. The Owners are working with the attorneys on the new agreement; they plan to have a draft for the August Authority meeting.
- Strategic initiatives for future Durham Convention Center Authority meetings:
 - Sales/Marketing update
 - Public Relations initiatives
 - Capital Construction
 - Revenue Improvement/New Hotel Task Force

Mr. Kalkhof would like the Authority to focus on a more "bigger picture" financial report for the Durham Convention Center Authority meetings rather than review a detailed report so that the time, energy, and talents of the Authority members are focused on larger, and longer term issues such as:

- Marketing initiatives for Convention business recruitment
- Increased sources of funding for marketing
- Expansion of hotel rooms in downtown to support the Convention Center
- Longer term capital improvements and expansion to the Convention Center
- Projects/issues the Authority believes need to happen in downtown to support the Convention Center in the future

Line item financial details can be handled better by a subcommittee composed by the chair.

- For increased public relations, the Owners can construct a program through channel 8 for viewer visibility.
- When you Google Durham Convention through the search portal, it takes you to DCVB. The Convention Center website does not immediately appear when you Google Durham Convention Center. This is an issue with the Authority. Shaner is willing to investigate web optimization for improved Google search for the Convention Center through a fee assessed program. The cost is estimated between \$3,500 and \$5,000. The web designer is

also working behind the scenes to assist with this issue. He wants to make sure other venues are linked to the Convention Center. Ms. Jeffries has received wedding leads from the web site and three have gone to bookings.

- While the Convention Center is experiencing a deficit in revenues, the Hotel's occupancy rate is increasing and is currently 75.33%.
- Shaner's Sales/Marketing director stated that 400 additional sleeping rooms within walking distance would make the Convention Center more marketable, particularly since the Sheraton Imperial in RTP has no entertainment within walking distance for patrons. The streets in RTP are very quiet after 5:00 during the week with dismal weekend activity. The Sheraton Imperial has rental space, but has nothing else to feed activity needs once the event is over.
- The Authority is planning a visit to the Raleigh Convention Center in September. More details will be discussed at the August 17 meeting.

Agenda for next meeting

- Parking Deck – more light
- Capital construction update
- Revenue Improvement/New Hotel Task Force
- Schedule site visit to Raleigh Convention Center